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*Competitiveness Determinants in Micro and Small Enterprises  
on the Example of Bakery and Confectionary Industry*

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Czynniki konkurencyjności w mikro i małych przedsiębiorstwach  
na przykładzie branży piekarniczo-cukierniczej

**Keywords:** competitiveness; competitive advantage; enterprise; bakery and confectionary industry

**Słowa kluczowe:** konkurencyjność; przewaga konkurencyjna; przedsiębiorstwo; branża piekarniczo-cukiernicza

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### **Introduction**

In recent years, enterprise competitiveness has been playing a significant role in their functioning. The processes of globalisation and integration with the European market have not only created for the Polish companies an opportunity for expansion into the new markets, but these processes also have increased competition on the domestic market as well. It induced growth of interest in the issues of competitiveness in the science sphere (management and economics) resulting in a number of elaborations, however, that growth has not exhausted all the problems in this area. Therefore, it is still necessary to carry out in-depth studies on enterprise competitiveness, especially in agri-food sector, including bakery and confectionary industry. The issue is particularly relevant in the context of functioning small, family enterprises, which, in order to survive, have to involve the process of globalisation and European integration in

their strategy. They have to take into account the fact that meeting global requirements very often needs changes in the way of running business, as well as changes in the adopted strategy. Recognition of enterprise competitiveness determinants is particularly important. They may be divided into two groups: internal and external ones. The first are related to the activities undertaken by enterprise, in turn the second are independent from enterprises, because they are derivative of the state policy.

The aim of the paper is to indicate the most important internal factors influencing the competitiveness of bakery and confectionary enterprises. The authors passed over the external factors, because, in the opinion of the inquired, they do not decide on achieving high competitive position in such degree as the internal factors.

## **1. Material and research methods**

In order to obtain opinions on competitiveness determinants of bakery and confectionary enterprises in 2015, an inquiry research among 56 micro and small enterprises in Wielkopolskie Voivodeship was conducted. The questionnaire construction was subordinated to the goals of the research. The choice of the surveyed enterprises was based on the method of purposeful selection. The inquiry consisted of 17 questions concerning general information on company, evaluation of competitiveness elements, particularly international, business and market environment. A significant part of the inquiry was the opinion on competitiveness potential. The gathered opinions had evaluative and subjective character. The research covered the units operation in NACE 10.71. The share of the small enterprises amounted to 52% and microenterprises to 48%. About 86% surveyed operates on local and 14% on regional market.

## **2. The notion of competitiveness**

There are a number of definitions of competitiveness in the literature and each researcher sees it a bit different, emphasizing different aspects of the notion. "Competition from the economic point of view is a battle of actors (rivalry) for maximizing economic benefits gained from selling products (commodities and services) and a battle for supply (cheaper and higher quality) and labour (better, cheaper)" [Skawińska, 2011, p. 30]. According to Gorynia and Łaźniewska [2009, p. 50], "competitiveness is an ability to compete, and so to operate and survive in competitive environment". Regarding enterprises, competitiveness is identified with enterprise potential, resources, skills, abilities, which are factors ensuring advantage over other companies operating in a country, region or branch [Walczak, 2010b, p. 88].

While evaluating enterprise competitiveness level, microeconomic efficiency indicators presenting degree of utilisation of productive resources are applied.

Among them one may distinguish economic and financial results, sources of creating competitiveness potential (e.g. innovation, R+D investment) and ways of forming microenvironment, which define enterprise competitive position on the market, financial power and achieving permanent competitive advantage [Skawińska, 2011, pp. 40–41] (Fig. 1).

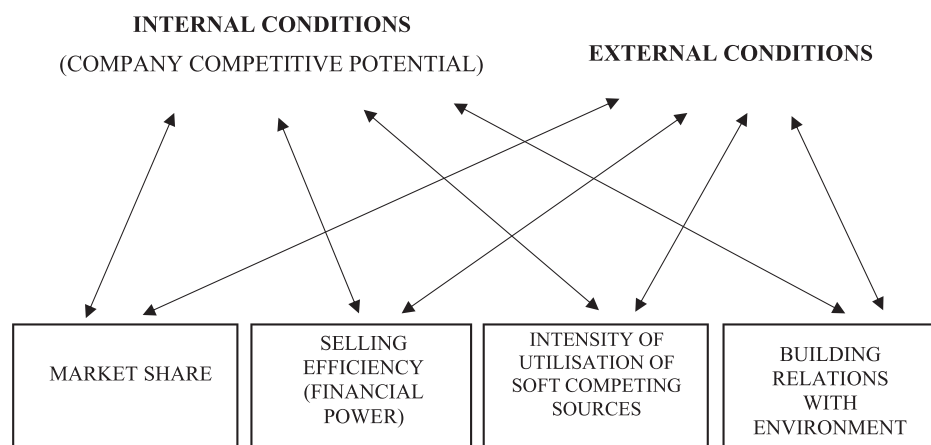


Fig. 1. Company's competitive potential

Source: [Skawińska, 2011, p. 41].

According to Stankiewicz [2000, p. 79], competitiveness should be considered as a system consisting of: competitiveness potential, competitive advantage, tools of competing and competitive position.

Competitive potential consists of material and immaterial enterprise resources, competences and abilities enabling achievement of competitive advantage [Stankiewicz, 2000, p. 79]. Competitiveness potential may be considered in narrow and broad meaning. The first concerns all the resources used or possible to use and they may be divided into: primary resources (e.g. entrepreneur philosophy, know-how), secondary (e.g. material production factors, staff resources) and resultant ones (e.g. image, purchaser's approach to product) [Gorynia, 2009, pp. 55–56]. In broader meaning, enterprise culture, resources (widely understood), organisational structure strategic vision, proper way of behaviour connected to the process of strategy creation fall within the competitiveness potential. Enterprise culture is connected to the preferred by the owners and employees way of business behaviour. Some of them support innovatory behaviours and others a conservative attitude. Resources, in broader meaning, concern both material and immaterial ones. From the variety of resources, they cover labour, technological, financial, material ones. Amount, character and utilisation of resources have significant meaning in achieving competitive advantage. In recent years, immaterial resources are becoming more and

more meaningful, particularly company's credibility, brand, image, product quality. Organisational structure of a company is related to division of authority, work and communication network. Strategic vision concerns core business, mission and behaviour. Company's strategy results from the process of strategy creation, which consists of processes of formulation and implementation of strategic vision [Gorynia, 2009, pp. 56–57; Walczak, 2010b, p. 90].

Competitive advantage is a multidimensional notion. Gorynia [2009, p. 55] believes that it is a result of effective utilisation of competing tools being part of competition strategy, whereas Flak and Głód [2009, p. 65] define "competitive advantage as an ability of enterprise to provide purchaser material and immaterial values through the market". In turn, Skawińska [2011, p. 59] believes that enterprise competitive advantage is based on having better than competitors competences determining success in a particular activity. The grounds for competitive advantage are its sources defined as an additional value, which a particular company is able to create for purchasers (e.g. lower price, higher quality, availability) [Skawińska, 2011, p. 64].

Tools of competing are the instruments and methods used for creating clients' capital and company's value. Among the variety of competing factors one may distinguish quality and price of product, elasticity in adjusting products to consumer's needs, product range, advertisement, promotion, company's image, payment terms [Stankiewicz, 2000, p. 79; Gorynia, 2009, p. 55]. Competing instruments influence market share and market position, which is a part of competitive position [Skawińska, 2011, p. 37].

Competitive position is a result of competing, an effect of applied competitive strategy in relation to particular competitive potential. Basic measures of competitive position are company's market share and financial situation. However, one may also use the following measures: profitability cost level compared to competitors, level of brand loyalty, market knowledge on product [Gorynia, 2009, p. 58; Stankiewicz, 2000, p. 79].

Competitive advantage is determined by competitiveness potential. In turn, high competitive position enables forming competitive potential, which means that it is a mutual dependence. Evaluation of competitiveness potential is difficult, because current competitive position is an effect of the activities undertaken in the past. Moreover, there is not any guarantee that favourable competitive position will be maintained in the future [Kusa, 2008, pp. 60–61].

### 3. Research results

In the opinion of the investigated enterprises, the intensity of competitiveness in bakery and confectionary industry is high (44%) and very high (27%). These answers were indicated by small companies employing not more than 49 employees (86%). Over 70% of bakeries and confectionaries did not conduct evaluation of company's position in relation to competition. Such evaluation was carried out

by 23% of enterprises, wherein they were conducted very irregularly. The reason for such small number of companies conducting such analyses was high cost of research in this area.

Competitiveness of enterprise is determined by external and internal environment [Pierścioneck, 2003, p. 168]. External factors do not depend on company; they are derivatives of state policy and between them one may distinguish economic conditions, regulation, financial and tax system. Internal conditions are related to activities undertaken by company and link with production profile, size of capitals, assets, profitability and product quality [Walczak, 2010a, p. 4]. Companies operating in the same sector are influenced – to a similar extent – by external factors, therefore, it is difficult to notice their impact on better competitive position of company in the sector. A basic place for enterprises' competing is their sector, therefore, defining internal factors influencing competitive position is very relevant [Kusa, 2008, p. 57].

Half of the responders claimed that factors in the product sphere (54%) and capital resources (52%) as well as factors in selling and distribution sphere (46%) have very high influence on competitiveness (Fig. 2). It was mainly indicated by microenterprises. In turn, for small firms, productive potential and physical resources were essential in this area.

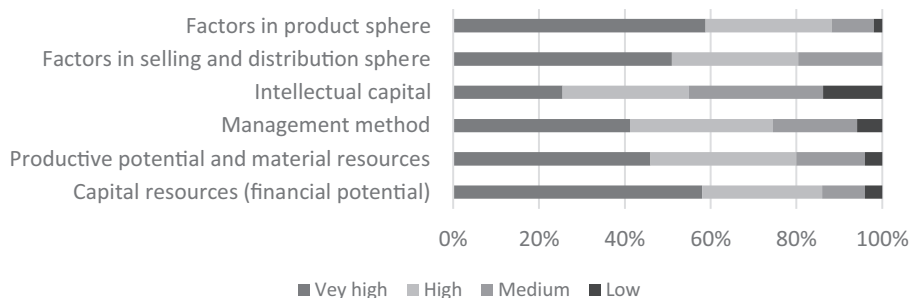


Fig. 2. Internal factors of competitiveness (%)

Source: Authors' own research.

In the product sphere, quality of products/services (84%), as well as price (73%) were the most important. The data analysis proves that the first determinant was more important for micro enterprises, whereas the second – for the small ones (Fig. 3).

The inquired evaluated product range (52%) and brand (21%) very high, whereas product range was more important for small companies and brand – for micro enterprises. The conducted research confirms Walczak's [2010b, p. 90] opinion that immaterial resources are becoming more and more significant in building competitive advantage, particularly company's credibility, brand, image, product quality.

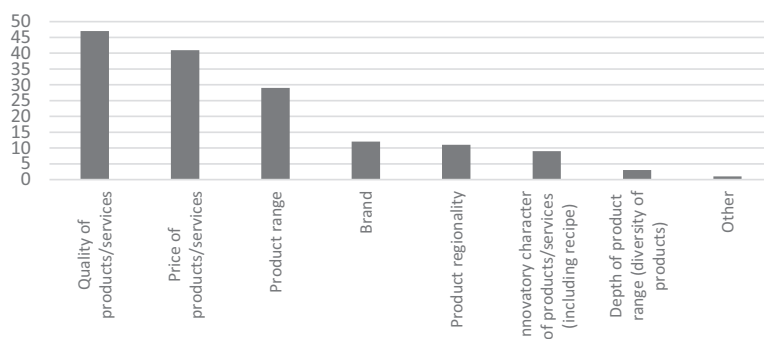


Fig. 3. Determinants of competitiveness in product sphere (responders could indicate 3 factors)

Source: Authors' own research.

In the area of financial potential, development financing possibilities from internal (55%) and external (43%) sources as well as current activity financing possibilities (46%) were named as the most important (46%) (Fig. 4). The first and the second factors were indicated mainly by micro and the third one by small companies.

Fig. 4. Enterprises' competitiveness determinants in the area of financial potential (responders could indicate 3 factors)



Source: Authors' own research.

Both while launching and running business, equity capital is very relevant. On the one hand, it defines financial and assets situation of a company and on the other, it is a guarantee for creditors. It is a permanent base for financing as well as source of creditworthiness. When developing enterprise, usually foreign capital is used, whereas a basic condition of obtaining a credit is company's credibility, which is expressed by the proper level of equity capital [Baburski, 2014, pp. 117–118].

The conducted research proves that almost 88% of the inquired claimed that in selling and distribution sphere, competitiveness is influenced by service quality/relation with clients (Fig. 5). A significant role is played also by company's image (tradition, experience, renown) (82%), as well as company's location in the neighbourhood of large markets (54%).



Fig. 5. Competitiveness determinants in selling and distribution sphere (responders could indicate 3 factors)

Source: Authors' own research.

Competitive advantage results from the owned resources and skills as well as factors outside a company or sector. It is related to a number of connections pointing out enterprise location in a given city or region. External factors (authorities, institutions), often seeking to strengthen competitiveness, impose businesses a defined attitude, put particular requirements and limitations [Grzebyk, Kryński, 2011, p. 115, cited in: Lisiński, 2005, p. 35].

In the area of productive potential, the competitiveness is influenced by equipment quality (59%), modernity of technology (50%), wherein the first factor was more important for micro and the second one for small enterprises (Fig. 6).

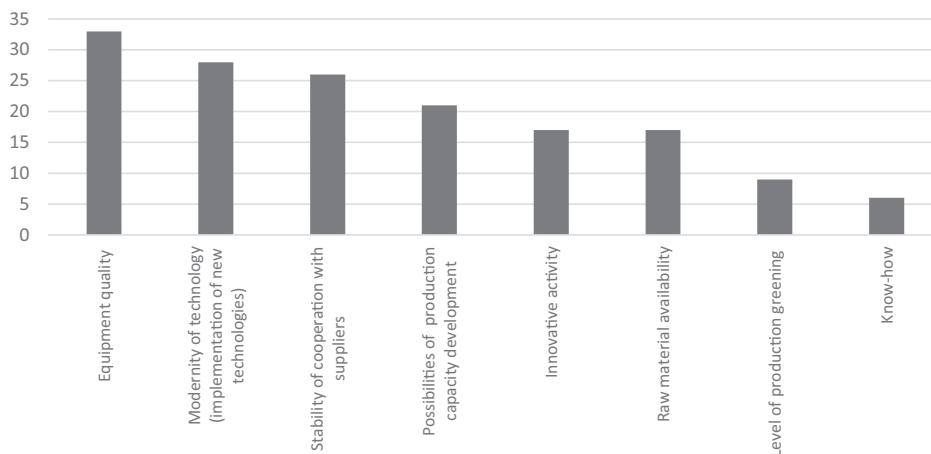


Fig. 6. Competitiveness determinants in production potential and physical resources sphere (responders could indicate 3 factors)

Source: Authors' own research.

One may accept that “competitiveness growth is identified with technical and technological potential” [Grzybowska, 2013, p. 514]. Implementation of innovation, both process and product, in long term may foster reduction of production cost and increase of sale, so it may benefit in every aspect of running business. Moreover, due to product innovation, enterprises strengthen their image. In turn, through process innovation, firms better organise production and operation of a company, which leads to more effective functioning and reacting to changes [Repetowski, 2010, p. 99].

## Conclusions

Company’s development is necessary for its functioning on the market. In the era of globalisation, in order to survive on the market, companies have to efficiently manage their resources, adjust to the changing environment as well as accurately evaluate their situation. They have to constantly decide in order to achieve and maintain market position and gain competitive advantage. In this area the investigated firms pay special attention to factors in product sphere, particularly to quality, price and product range. According to them, capital resources are important as well, most of all possibilities of financing both from their own sources and foreign ones. In case of microenterprises factors in selling and distribution sphere are also relevant (mainly service quality and company’ image). Moreover, small enterprises indicated production potential (equipment quality and modernity of technology) and physical resources, which is strictly related to innovation. In turn, innovation reflects in cost reduction, more efficient and effective functioning of company as well as image strengthening.

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### **Czynniki konkurencyjności w mikro i małych przedsiębiorstwach na przykładzie branży piekarniczo-cukierniczej**

W artykule przedstawiono wyniki badań przeprowadzonych w 2015 r. w 56 mikro i małych przedsiębiorstwach sektora piekarniczo-cukierniczego, zlokalizowanych w województwie wielkopolskim. Celem badania było określenie czynników konkurencyjności firm. Omówiono główne determinanty wewnętrzne wpływające na konkurencyjność, wśród których najważniejsze to: wysoka jakość produktów, ich cena, szerokość oferty asortymentowej i możliwości finansowania rozwoju. Za bardzo ważne uznano również jakość obsługi i relacje z klientami oraz wizerunek firmy. Badani podkreślali także znaczenie nowoczesnych technologii produkcji i innowacyjność.

### **Competitiveness Determinants in Micro and Small Enterprises on the Example of Bakery and Confectionary Industry**

The paper presents the results of research conducted in 2015 in 56 micro and small enterprises operating in bakery and confectionary industry located in Wielkopolskie Voivodeship. The aim of the investigation was to define factors of company's competitiveness. The main internal determinants influencing competitiveness, among which the most important are high product quality, product price, product range or development financing possibilities, were presented. Service quality, relations with clients and company's image were recognised as very important as well. The respondents also underlined the significance of modern technologies and innovation.